

ECONOMIC DEVELOPMENT COMMITTEE EDC 11-01(p9)

Date: 11 July 2001
Time: 2.00 - 5.30pm
Venue: Committee Room 1, National Assembly Building
Title: REGIONAL SELECTIVE ASSISTANCE (RSA) STATISTICS FOR 2001-02

Purpose

To inform the Committee of the number and distribution of offers for Regional Selective Assistance in the first quarter of 2001-02. This report presents information to the Committee in the format requested during the January discussion of the RSA paper (EDC-02-01). As this is the first report in this format no previous comparisons are available.

In addition, data comparing Wales with England and Scotland is now available for 2000-01 and is attached at Tables A to D; this is the first opportunity to provide this information since the data became available.

This paper is for information.

Compliance

Regional Selective Assistance grants to industry are given under Section 7 of the Industrial Development Act 1982. The Welsh Industrial Development Advisory Board was established under Section 13 of the Welsh Development Agency Act 1975 to offer advice to the Secretary of State on financial assistance to industry.

The powers under both Section 7 and Section 13 have been made exercisable by or transferred to the Assembly, and grants under Section 7 have been freed from Treasury constraint. Authority to operate the Regional Selective Assistance scheme and organise the Welsh Industrial Development Advisory Board meetings has been delegated to the Economic Development Minister and to officials.

The Board only considers applications for grants greater than £250,000. Decisions on applications for less than this have been delegated to officials. The Economic Development Minister is not obliged to accept the Board's advice, but under Section 13 would have to make a statement to the Assembly explaining the reasons for not doing so, if requested by the Board.

Introduction

Regional Selective Assistance (RSA) helps support capital investment projects in the Assisted Areas that create new jobs or safeguard existing ones. It is the main form of financial incentive to industry to encourage investment and growth in Wales. The aim is to reduce disparities in employment opportunities between Assisted and non-Assisted areas. RSA is an approved scheme under EC national regional aid guidelines and is operated in Wales, England and Scotland under a common GB framework.

In the discussion of the RSA paper in January, the Committee asked for data on RSA cases to be presented in a certain way. This was not available using our current systems but arrangements were put in place to collect the appropriate data from 1 April this year and this is the first opportunity to provide the data in the way requested by the Committee. As this is the first report in this format it is not possible to provide historic comparisons

Details of offers offer made since 1 April 2001

- In the first quarter of 2001-02 to date, 61 offers of RSA were made to companies. The total value of these offers was some £33.1 million and the associated project costs were over £139 million; these projects are forecast to create 1,275 new jobs and safeguard 1,714 existing jobs. 30 offers have so far been accepted.
- Around a quarter of the projects were start ups promising 351 new jobs and RSA of £3.365m.
- A quarter related to companies undertaking new activities at existing sites – these involved RSA of some £3m, 271 new jobs and 56 safeguarded jobs.
- Around half the companies receiving offers were over 10 years old
- Over half involved modernisation and/or expansion of existing facilities.
- 13 of the offers were made in respect of the service sector. The remaining 48 relate to manufacturing.
- Salaries ranged from £7,000 to £50,000, averaging around £18,000, with a median of £14,000.

2. The split between SMEs and large companies was :

	Number	Offer Value	Project Cost	New Jobs	Safeguarded Jobs	Average Processing Time
		£	£			(Days)
Large	15	22,926,000	70,787,800	409	1,619	51
SMEs	46	10,212,200	68,663,634	866	95	30

3. The split between UK and foreign-owned companies was:

	Number	Offer Value	Project Cost	New Jobs	Safeguarded Jobs	Average Processing Time
		£	£			(Days)
UK	51	12,148,200	77,159,434	896	336	31
Foreign owned	10	20,990,000	62,292,000	379	1,378	55

About 16% of the offers were towards projects by overseas owned companies. These represent about 62% of the total value of grant offered and 58% of the total number of jobs forecast to be created and safeguarded, illustrating the relatively larger size of projects by non-UK owned companies. The average grant per job for UK companies is lower at £9,860 compared to £11,946 for overseas owned companies. However, a recent independent evaluation confirmed that large projects represented better value for money, despite the initial high cost per job, because the need for grant was greater and displacement of other jobs lower, in large projects.

4. The table below gives a breakdown of offers by Unitary Authority area:

Totals for Unitary Authority areas⁽¹⁾:	Number	Offer Value	Project Cost	New Jobs	Safeguarded Jobs	Average Processing Time (Days)
		£	£			
Blaenau Gwent	8	7,743,200	22,193,000	234	166	37
Bridgend	1	25,000	64,000	7	0	47
Caerphilly	7	955,000	4,249,000	77	26	32
Cardiff	5	3,984,000	44,286,010	252	5	33
Carmarthenshire	2	8,174,000	21,981,000	2	836	43
Ceredigion	1	240,000	872,000	24	0	64
Conwy	1	60,000	160,000	4	2	58
Denbighshire	4	4,055,000	16,001,000	128	225	46
Flintshire	2	52,000	506,000	15	0	21
Gwynedd	1	50,000	426,094	10	0	36
Merthyr Tydfil	3	410,000	1,381,000	23	5	18
Monmouthshire	-	-	-	-	-	-
Neath & Port Talbot	5	999,000	3,020,000	26	212	23
Newport	3	310,000	1,699,200	73	0	16
Pembrokeshire	1	150,000	674,000	3	32	80
Powys	-	-	-	-	-	-
Rhondda Cynon Taff	9	2,387,000	11,411,330	214	36	41
Swansea	2	342,000	949,000	31	0	40
Torfaen	3	1,250,000	4,160,000	68	89	32
Vale of Glamorgan	2	1,930,000	5,367,000	80	80	36
Ynys Mon	1	22,000	51,800	4	0	18
Total	61	33,138,200	139,451,434	1,275	1,714	35

(1) The table shows no offers made in Monmouthshire and Powys, but only a small part of these areas is included in the Assisted Area and therefore eligible for RSA.

Comparison with England and Scotland

In January we presented figures for previous years comparing activity in Wales with that in England and Scotland using data from the Industrial Development Act 1982 annual report. Data for the year ending 31 March 2001 is now available and is included at Tables A to D.

Offers accepted and payments made are summarised in Tables A-E in Annex A. **Table A** shows the cumulative total of offers accepted for the last 10 years for Wales, England and Scotland and shows the breakdown of UK and non-UK owned companies. Over this period 12.9% of projects have been in Wales. This represents 23.6% of the total RSA offered for 22.9% of the total associated investment and just over 20% of the new and safeguarded jobs, with more than 2 jobs being created for every one safeguarded. As Wales has only about 6% of the population, this shows that relative to its size it has been very successful in attracting projects, investment and jobs to Wales. Of offers accepted in Wales in the last 10 years, just less than 20% were by non-UK owned companies. This represented 58% of the total RSA offered and 72% of the associated investment and 49% of the created and safeguarded jobs. This reflects the relatively larger size of non-UK owned projects. Comparable figures for Great Britain were 11% of projects, 53% of RSA, 63% of associated investment and 41% of jobs. This again shows Wales as securing a higher number of non-UK owned projects relative to its size.

Table B provides information on offers accepted in the last 4 years on a year by year basis showing the impact of large projects, such as the LG project in Wales in 1997-98, on the figures for any one year. Table B indicates that the overall numbers of offers and the associated investment and jobs in Wales are below the peak levels achieved in the mid 90s. However activity related to RSA appraisal has improved significantly since the low point in 1998-99. This apparently is in sharp contrast to the levels in England and Scotland which have declined. However it should be noted that in those countries RSA for smaller companies and projects has been replaced by alternative arrangements - the Enterprise Grant Scheme (EGS) in England began on 1 January 2000 and, in July 2000, Invest for Growth was launched in Scotland. **Table C** gives details of these schemes. **Table D** indicates project achievements to 31 March 2001: in Wales payments up to 64% of the total amount offered had achieved 71% of the total jobs forecast compared to the UK average of 67% of offer amount and 76% of jobs. Note that table D relates to offers up to 31 March 1999, many of which are still in progress and will be progressing toward job targets and receiving payment for several more years.

Table E shows comparative outturn figures for the last 4 years. Grant expenditure in any year entirely depends on offers made in previous years. Payment of grant is dependent on when the companies concerned meet the triggers for capital expenditure and job numbers in the offer letter. Projects therefore usually run over several years.

Action required of the Committee

The Committee should note:

- the current figures for 2001-02 for offers of RSA in Wales;
- the UK outturn figures for 2000-01 for offers accepted and payments made;

Contact Point

Investment and Corporate Management Division.

Annex A

TABLE A:

PROJECT GRANTS BY UK AND FOREIGN OWNED COMPANIES - CUMULATIVE
OFFERS ACCEPTED AND PAYMENTS 1 APRIL 1991 TO 31 MARCH 2001

Country	No.	Value (£'000)	Associated	Forecast		Payments
			Project Costs (£'000)	New	Employment (1) Safeguarded	1.4.91 to 31.3.01 (2) (£'000)
Great Britain:						
UK Owned	11,470	1,500,922	11,153,777	246,234	99,453	1,081,306
Foreign Owned	1,419	1,700,256	18,623,344	154,373	81,344	1,152,103
Total	12,889	3,201,178	29,777,121	400,607	180,797	2,233,409
Scotland:						
UK Owned	1,608	448,707	2,559,790	53,439	22,232	289,130
Foreign Owned	467	637,944	6,341,021	56,768	17,636	395,432
Total	2,075	1,086,651	8,900,811	110,207	39,868	684,562
Wales:						
UK Owned	1,341	313,687	1,916,299	43,258	16,529	246,840
Foreign Owned	329	442,124	4,915,676	38,717	19,682	310,970
Total	1,670	755,811	6,831,975	81,975	36,211	557,810
England:						
UK Owned	8,521	738,528	6,677,688	149,537	60,692	545,336
Foreign Owned	623	620,188	7,366,647	58,888	44,026	445,701
Total	9,144	1,358,716	14,044,335	208,425	104,718	991,037

(1) Forecast employment figures are based on company forecasts for the project at the time of offer.

(2) Payments made in period shown; includes payments on prior projects for which offer was accepted in an earlier year.

TABLE B**OFFERS ACCEPTED 1997-98 TO 2000-01⁽¹⁾**

Country	Financial year of Acceptance	No.	Value (£'000)	Associated Project Costs (£'000)	Forecast ⁽²⁾ Employment	
					New	Safeguarded
Great Britain:	1997-98	1,342	451,472	6,370,737	53,826	21,911
	1998-99	1,213	248,652	2,247,458	34,772	13,114
	1999-00	1,231	307,103	2,225,178	48,259	19,054
	2000-01	572	407,607	3,439,676	39,531	19,361
Scotland:	1997-98	232	170,978	2,748,382	18,252	3,725
	1998-99	216	72,872	448,706	8,706	2,606
	1999-00	254	142,445	716,703	15,266	5,298
	2000-01	116	104,750	518,844	9,639	5,563
Wales:	1997-98	141	112,571	1,828,007	12,216	2,377
	1998-99	121	47,548	436,496	7,682	1,054
	1999-00	139	53,497	302,424	7,979	3,500
	2000-01	152	97,602	761,700	8,018	3,488
England:	1997-98	969	167,923	1,794,348	23,358	15,809
	1998-99	876	128,232	1,362,256	18,384	9,454
	1999-00	838	111,161	1,206,051	25,014	10,256
	2000-01	304	205,255	2,159,132	21,874	10,310

(1) Accepted in period shown; includes projects for which the application was received in an earlier year. Revisions to offers in the year of initial acceptance.

(2) Forecast employment figures are based on company forecasts for the project at the time of offer.

(3) Payments made in period shown; includes payment on projects for which offer was accepted in an earlier year.

TABLE C
ENTERPRISE GRANT SCHEME AND INVEST FOR GROWTH SCHEME (1)
OFFERS ACCEPTED AND PAYMENTS 1 APRIL 2000 TO 31 MARCH 2001

Country/Region	No.	Value (£'000)	Associated Project Costs (£'000)	Payments
				1.4.00 to 31.3.01 (£'000)
Scotland: (1)	62	3,022	14,710	217
England:	492	15,233	124,845	3,639

(1) The Invest For Growth Scheme is run solely by the Scottish Executive.

TABLE D

**PAYMENTS AND EMPLOYMENT CREATED OR SAFEGUARDED ON OFFERS ACCEPTED
1 APRIL 1991 TO 31 MARCH 1999**

Country/ Region	No.	Value (£'000)	Forecast Employment ⁽¹⁾	Total Payments to 31.3.01 (£'000)	Employment created and safeguarded to 31.3.01
Great Britain	11,073	2,485,393	454,842	1,656,169	345,474
Scotland	1,705	840,256	114,449	494,134	79,181
Wales	1,378	604,471	95,067	387,584	67,883
England	7,990	1,040,666	245,326	774,451	198,410

(1) Forecast employment figures are based on company forecasts for the project at the time of offer.

**TABLE E
PAYMENTS MADE 1997-98 TO 2000-01**

Country	Financial Year of Payment	Payments (£'000)
Great Britain:	1997-98	267,349
	1998-99	265,470
	1999-00	185,684
	2000-01	219,694
Scotland:	1997-98	76,501
	1998-99	74,204
	1999-00	51,998
	2000-01	69,837
Wales:	1997-98	75,674
	1998-99	79,886
	1999-00	44,963
	2000-01	37,239
England:	1997-98	115,174
	1998-99	111,380
	1999-00	88,723
	2000-01	112,618